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Subcommittee on the Middle East and Central Asia
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A Strategy for Central Asia

Madame Chair, Members of the Subcommittee:

Thank you for the opportunity to discuss with you today developments in, and the Administration's policy towards, Central Asia. I would like to take this opportunity to outline our policy goals and the challenges we face in implementing them. We pursue three sets of strategic interests in Central Asia. These are:

- Security;
- Energy and regional economic cooperation; and
- Freedom through reform.

We believe that these objectives are indivisible and ultimately consistent. Political reform, economic reform and security all are mutually reinforcing.

In her visit earlier this month to Kyrgyzstan, Tajikistan and Kazakhstan, Secretary Rice significantly advanced our objectives in all three areas. Her travel there, including the first visit ever by a U.S. Secretary of State to an independent Tajikistan, reflects our strong interest in supporting the development of these countries as sovereign, stable, democratic and prosperous nations.

These countries have long been at the crossroads of world history. So they are again today. And despite the geographic distance between our country and those of Central Asia, we find ourselves faced with many challenges of immediate and pressing concern.

Terrorism is one such challenge. The Islamic Movement of Uzbekistan and other extremist groups, including The Islamic Jihad Group, continue to pose a threat to security and stability. Poor and rapidly growing populations still lacking in economic opportunity and feeling a sense of injustice are potentially susceptible to the call of violent extremism, particularly when legitimate avenues of dissent are foreclosed. A legacy of authoritarianism, as

well as endemic corruption, continue to hamper the development of public institutions, good governance and the rule of law. Retrograde regimes in Uzbekistan and Turkmenistan hold their peoples back, and detract from regional cooperation and development.

Yet there is also ample cause for optimism. Every year, more and more people throughout the region are finding new opportunities to thrive in economies that are privatizing and diversifying, and growing rapidly. Kazakhstan is the best example of the region's potential economic dynamism, as it moves to take its place among the world's top energy-producing nations. In Kyrgyzstan, civil society is gradually finding new political space to assemble freely and call for reform. Throughout the region, 1000-year-old traditions of tolerant faith and scientific learning continue to provide a natural shield against imported and narrow interpretations of Islam that breed extremism and violence.

We are doing what we can to support these positive trends. In FY 2005, we budgeted over \$240 million in assistance to Central Asia, focusing our efforts on building and strengthening civil society, promoting democratic and economic reform, and combating criminal activities and terrorism. We are also directing assistance toward promoting regional security - through counter-proliferation, counter-terrorism and counter-narcotics cooperation. This is money well spent.

We pursue all three sets of our strategic interests in tandem, because failure in one area will undermine the chance of success in another. We are therefore supporting political and economic reform, rule of law, good governance, respect for human rights, religious freedom and tolerance, free trade and open markets, development of small businesses, energy investment, and cooperation in the fight against terror and weapons of mass destruction, all at the same time.

Security

Since September 11, 2001, the United States has undertaken an ambitious forward strategy in Central Asia in support of the global the war on terrorism. Three of the five countries in Central Asia border on Afghanistan, and all five have provided support to Operation Enduring Freedom in

various forms - bases, over-flight rights, and re-fueling facilities. Our cooperation with these countries is underpinned by our common interest in fighting terrorism and in securing a stable and democratic future for Afghanistan. And this cooperation has been strengthened and made easier by the participation of these countries in military training and exercises through NATO's Partnership for Peace.

We are grateful for their contributions. During Secretary Rice's visit to Bishkek, Kyrgyz President Bakiyev emphasized his continued support for the presence of coalition forces at Manas air base until the mission of fighting terrorism in Afghanistan is completed. In Dushanbe, Tajik President Rahmanov also voiced strong support for coalition efforts in the global war against terrorism. Their continued support is all the more important with the departure of our forces from Karshi-Khanabad (K2) airbase in Uzbekistan.

In the period since their independence, the countries of Central Asia also have been an integral part of the United States' nonproliferation strategy. Kazakhstan's role in the former Soviet Union's nuclear missile launch capacity and weapons grade nuclear fuel generation goals made it one of the first countries included under Nunn-Lugar Counter-proliferation assistance. Kazakhstan's cooperation with the United States under these programs has set a benchmark. We later included the other four countries in a regional Export Control and related Border Security (EXBS) strategy to control the spread of Chemical, Biological, Nuclear and Radiological (CBRN) weapons.

Central Asia's location as a crossroads for trade also makes it a crossroads for traffickers in weapons of mass destruction, missiles, and related technologies, particularly through their air routes. The Central Asia Republics have almost unanimously endorsed the Proliferation Security Initiative (PSI). The strong stance by these governments in support of PSI will serve as a deterrent to would be proliferators, and will ensure strategically important partners to the United States and other PSI participants in our global efforts to stop the proliferation of weapons of mass destruction.

The Department of State provides nonproliferation assistance in Central Asia drawing on funding from

Nonproliferation, Anti-Terrorism, Demining and Related Programs (NADR). The multi-million dollar efforts of the Science Centers Program, Bio-Chem Redirect Program, and Bio-Industry Initiative, are central to our efforts to engage former weapons experts from Kazakhstan, Kyrgyzstan, Tajikistan and Uzbekistan, in transparent, sustainable, cooperative civilian research projects. This work is carried out through two multilateral Science Centers: the International Science and Technology Center in Moscow, and the Science and Technology Center in Ukraine in Kyiv.

Due to increasing concerns regarding terrorist access to biological and chemical expertise, the Department of State has recently targeted significant resources toward engaging biological and chemical experts in Central Asia through our scientist redirection efforts.

The Export Control and related Border Security (EXBS) Program uses funding from Nonproliferation, Anti-Terrorism, Demining and Related Programs (NADR), and the FREEDOM Support Act (FSA) to achieve the United States Government's nonproliferation goals. The lack of delineated and demarcated internal borders among these five countries under Soviet rule made the need for assistance to border security projects a priority. Most EXBS program funding in Central Asia during Fiscal Years 2000-2005 delivered basic equipment and training to customs officials and border guards to secure borders and detect nuclear materials transit.

Through the Nonproliferation and Disarmament Fund (NDF), the Department of State has assisted the Department of Energy in funding the draining of sodium and spent fuel disposition at the BN-350 reactor at Aktau, Kazakhstan, and is also providing funds to enhance pathogen security legislation in Georgia, Kazakhstan and Uzbekistan. Through NDF, the Department has also funded additional physical security upgrades at the Uzbekistan Institute of Nuclear Physics, including perimeter fencing, conversion of the reactor to utilize low-enriched uranium fuel, upgrades to the control room, and return of 70kgs of Highly-Enriched Uranium to Russia.

Energy & Economic Cooperation

Regional economic development is one of our top policy priorities in Central Asia. We are deepening our support

of the countries of Central Asia to expand regional trade and investment. The trade links of the ancient Silk Road need to be revitalized to provide Central Asia with greater access to the global economy, through both South Asia and Europe. To advance these goals, we are working with the U.S. Trade Representative to operationalize the Central Asia trade and Investment Framework Agreement. We are also hard at work with our partners in Afghanistan and Tajikistan to build the roads and bridges essential to revitalizing regional and global trade. In addition, we are exploring hydropower as a potential major source of revenue for Kyrgyzstan and Tajikistan, and a possible catalyst for economic growth in Afghanistan.

Energy is a key sector, especially in Kazakhstan. Revenues from the energy sector can power regional economic growth, but only if these revenues are managed wisely. We are encouraging inter- and intra-regional energy trade, investment, and commercial competition by providing technical assistance and helping the governments coordinate with relevant international financial institutions.

But oil and gas is not enough. Small-to-medium size businesses outside the energy sector are crucial to growing new jobs in the region, and extending prosperity to all. Under Secretary Shiner's meetings with entrepreneurs in these countries during Secretary Rice's recent trip to Central Asia and our longstanding enterprise assistance programs are evidence of our strong support for economic diversification.

To realize their full potential, each of the countries in Central Asia must do more to fight corruption, which is simply a tax on those least able to pay it. The family farmers, small businesspeople, and school teachers of Central Asia must know that government officials cannot arbitrarily seize their property. They must have confidence in their banking system and free access to credit and capital.

Governments in the region also need to do more to create welcoming environments for foreign trade and investment. There must be clear rules, transparency in how the rules are made, well-functioning judicial systems, and respect for rule of law.

Advancing Freedom Through Reform

I said earlier that freedom and democracy, including respect for human rights and religious freedom, provide the only path to genuine stability -- as well as economic prosperity -- in the region. Progress on reform -- on both democratic and economic fronts -- rule of law, respect for human rights and religious freedom, and the building of vibrant civil societies are also essential to our ability to sustain strong, positive and lasting bilateral relationships with these nations.

Allow me to cite a few brief examples of U.S.-funded programs in the region. In Kyrgyzstan, we have brought human rights defenders together with Kyrgyz security, justice, and election officials for unprecedented discussions on torture, freedom of assembly, and the handling of elections. In Uzbekistan, we are working to strengthen microfinance institutions to create opportunities for self-employment and allow entrepreneurs to create new jobs; to date, this program has created twenty savings and credit unions nationwide, with total membership expected to reach 40,000 in 2006. In Tajikistan, we are providing assistance to the critically important agricultural irrigation sector; recent economic analyses estimate that the impact of this assistance in terms of improved water delivery, depending on actual crop yields, is between \$250,000 and \$1 million annually.

These are examples of programs that help create improved social and economic conditions. By creating employment, supporting education, improving health care, and supporting small and medium-sized enterprises, we combat the attraction of extremist groups. Our concurrent message to these governments is that economic opportunity - and respect for human rights - is the best possible antidote to extremist ideas still plaguing the region.

While there are barriers to reform and challenges to the establishment of civil society that face the region as a whole, our approach needs to be fine-tuned for each of these unique states. Let me discuss each of them in turn.

Kazakhstan - Potential Regional Leader

In her visit to Astana, Secretary Rice expressed our interest in taking our bilateral relationship with Kazakhstan to a qualitatively new level. However, to make

this possible, Kazakhstan will need to take forward the bold commitments put forward by President Nazarbaev to carry out further democratic reform.

The presidential election this December gives Kazakhstan an opportunity to demonstrate whether it is becoming one of the region's leaders in democracy. We welcome the Central Election Commission's recent announcement of a series of measures aimed at clearing the way for what we hope will be an election that meets international standards. During this critical pre-election period, we are watching closely to see what steps are taken to allow for freedom of assembly, access to media, and an overall level playing field for opposition candidates, some of whom Secretary Rice met during her recent visit.

Sustained progress on democratic reform up to and beyond the election will be crucial for Kazakhstan's ambitions to serve as Chairman of Office of the OSCE. We believe that the OSCE has a vital role to play in Central Asia and hope that Kazakhstan's interest in this translates into leadership in the region on the OSCE's values.

Kazakhstan has already been a leader in economic reform, implementing bold programs that have attracted investment, created jobs, and established a vibrant banking system. The Government of Kazakhstan has made a wise choice to begin diversifying its economy and ensure that its vast oil wealth contributes to social mobility, not social stagnation. The United States supports the Government of Kazakhstan's effort to develop non-energy sectors of its economy through the "Houston Initiative," developed during President Nazarbayev's visit to the United States in December, 2001. We are committed to working with Kazakhstan as it implements necessary requirements for admission to the World Trade Organization.

Most recently, Secretary Rice unveiled in Almaty a new Central Asian Infrastructure Integration Initiative, led by the U.S. Trade and Development Agency. This initiative will target activities in the areas of energy, transportation and communications that promote cooperation among the countries in the region and their integration into the global economy. While the initiative will initially involve Tajikistan, Kyrgyzstan and Kazakhstan, other countries could be invited in the future.

All of these steps stem from our belief that Kazakhstan has the potential to emerge as a regional leader in powering economic growth, promoting tolerance, and perhaps even advancing democratic reform. Our vision is of a reforming and prosperous Kazakhstan, leading a new corridor of reform in Central Asia by spearheading energy, trade and investment in Kyrgyzstan, Tajikistan and other neighboring countries.

This is the kind of leadership that Kazakhstan has shown in the past when, at the end of the Cold War, it renounced its nuclear weapons and freely transferred over half a ton of weapons-grade uranium to secure sites outside the country. Today, as the spread of nuclear weapons takes new forms, Kazakhstan is expanding its cooperation with the United States through the Proliferation Security Initiative. President Bush has in fact cited Kazakhstan as a key example of how a state rids itself of weapons of mass destruction when it has the will to do so.

Kyrgyzstan and Tajikistan - Emerging Reformers?

We believe Kyrgyzstan stands on the threshold of a new era of stability, provided its leaders can consolidate the steps toward democracy emerging from last March's "Tulip Revolution." Although Kyrgyzstan's Presidential election earlier this year fell short of international standards, it demonstrated tangible progress and genuinely reflected the will of Kyrgyz voters and deserves our praise for its pioneer move forward towards genuine participatory democracy.

Working with the OSCE, we are encouraging the Government of Kyrgyzstan to sustain this momentum and press ahead with constitutional and electoral reform, anti-corruption measures, and market economic reforms. We are confident that such reforms will unleash the dynamism of Kyrgyzstan's civil society by providing the Kyrgyz people a way to participate in the civic life of their country, to earn a decent living, and to lift their entire country toward prosperity and democracy. Absent such opportunities, Kyrgyz society may face a resurgence of the sense of injustice that spawned the "Tulip Revolution."

Our belief in the stabilizing and transformative power of freedom is the core principle of the Millennium Challenge Account. We are committed to working with the Government

and citizens of Kyrgyzstan to help advance the reforms necessary to participate in this innovative program.

Tajikistan, having generally recovered from its 1992-97 civil war, has taken credible steps toward reform. All major participants in Tajikistan's past fighting are now sharing power in parliament. This includes the only legal Islamic political party in all of Central Asia, which is also represented in President Rahmonov's government. But long-term stability requires faster progress on democratic reform; our assistance to Tajikistan must reflect that priority.

Our security cooperation with Tajikistan is increasingly significant. Following the withdrawal of Russian Border Guards from the Tajikistan-Afghanistan border in July 2005, we have helped Tajikistan to secure its borders and fight narco-trafficking and weapons proliferation by budgeting approximately \$33 million in FY 2005. We hope to continue such cooperation in FY 2006.

For Kyrgyzstan and Tajikistan, regional cooperation is an economic lifeline. Both are in urgent need of investment and natural gas from Kazakhstan - and Russia - to eradicate poverty. The two poorest member states of the OSCE, Kyrgyzstan and Tajikistan increasingly look toward Afghanistan as a land bridge toward Indian Ocean ports and south Asian markets. The United States seeks to stimulate such regional and intra-regional cooperation by working with international financial institutions.

During her visit to Bishkek, Secretary Rice announced \$1.4 million in new U.S. assistance to reduce regional trade barriers and stimulate foreign investment in energy, transportation, and telecommunications infrastructure. We hope in particular to encourage the development of hydroelectric power generation in Kyrgyzstan and Tajikistan, with electricity exports to Afghanistan and Kazakhstan. We also want to improve their North-South energy transmission routes, and in Kyrgyzstan's case, help develop a sustainable solution to current dependence on Uzbekistan for energy in the south.

Turkmenistan

Turkmenistan remains an autocratic state. We are concerned about border security due to the potential for trafficking

in WMD and persons, and ongoing problems with drug trafficking.

Political and economic reform in Turkmenistan has been minimal since independence. Nevertheless, we are pursuing a policy of engagement with the government, and modest cooperation where there are clear benefits to our interests and to the people of Turkmenistan. We will continue to press the government for progress in freedom of religion, assembly and movement for its citizens. Simultaneously, we must provide the people of Turkmenistan with the tools they need to build a more stable, free and prosperous future. These tools are principally educational and professional exchanges, and support for civil society.

Turkmenistan recently publicly agreed to support the Proliferation Security Initiative, and adopted a decree banning over-flights of planes suspected of carrying WMD or missile technology. These are positive steps. We plan to continue our assistance in counter-narcotics training, and to enhance Export Control and related border security program activities. We also support increasing Turkmenistan's IMET participation, focusing on junior officers, and inviting participation in the Department of Defense's Counterterrorism fellowship program.

Uzbekistan

In Uzbekistan, the aftermath of the May 2005 events in Andijon and the government's indiscriminate use of force in response continue to color our evolving policy. Despite repeated calls by the international community for an independent investigation into these tragic events, the government of President Islam Karimov has refused to allow for a transparent accounting of what took place. Instead, the Uzbek government has engaged in an escalating campaign of harassment against the independent media, NGOs and other civil society groups.

Several weeks ago I traveled to Tashkent and met with President Karimov. In my discussion, I reaffirmed the need for an independent inquiry into Andijon, and I made clear our concerns regarding the deteriorating human rights situation there, including our concerns about religious freedom. The United States still sees a basis for cooperation and engagement with Uzbekistan, but our relationship cannot be compartmentalized nor limited to our

security interests. Rather, it must be a broad relationship including attention to political and economic reform, as we agreed when President Karimov visited Washington in 2002.

As we move forward, we will continue to speak up both publicly and privately about our concerns. At the same time, we will continue to make clear that our intent is to help develop civil society and encourage peaceful democratic reform, not foment revolution, as some have falsely charged. We will continue to urge the government of Uzbekistan to reverse its current path and to embrace reform as the only way to achieve long-term stability. But we will not wait idly by for that day to come, but instead move forward now with our partners in Central Asia who seek stability through freedom.

To accomplish these goals, we need to step up democracy programs, including providing increased Uzbek language broadcasts and expanding programming for civil society, political parties and NGOs. We are also seeking ways to support local traditions that embrace both tolerant faith and reason, as well as protecting the religious freedom of minority religious groups.

On the economic front, we intend to continue our development agenda in Uzbekistan, pushing for the removal of trade and transit barriers, as well as seeking ways to expand trade, energy and transit contacts with Afghanistan. In addition, we are working to shift economic engagement towards rural and small-medium enterprise development.

Conclusion

Our policy challenges in Central Asia are formidable but not unassailable. Pursuing a balance among our three sets of core interests - security, energy and regional cooperation, and freedom through reform - offers the best chance of success. If we can succeed in this effort, we believe that Central Asia can reemerge as a key interchange of commerce and culture, as it was for centuries during the period of the Great Silk Road, a region that contributes to Afghanistan's stability as well as to our own security. Accomplishing this goal will require wise use of our limited resources. We look forward to working with the committee in this important effort.